

Message Text

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51

ACTION NEA-12

INFO OCT-01 AF-10 EUR-25 ISO-00 IO-14 CIAE-00 DODE-00

PM-07 H-03 INR-10 L-03 NSAE-00 NSC-07 PA-04 RSC-01

PRS-01 SP-03 SS-20 USIA-15 AID-20 COME-00 EB-11

FRB-02 TRSE-00 XMB-07 OPIC-12 CIEP-02 LAB-06 SIL-01

OMB-01 STR-08 CEA-02 FS-01 ABF-01 DRC-01 /211 W

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R 131312Z APR 74

FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 9271

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY BERN

AMEMBASSY JIDDA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY TRIPOLI

C O N F I D E N T I A L KUWAIT 1428

EO 11652: GDS

TAGS: EFIN, KU

SUBJ: EAL: WITTEVEEN VISIT- KUWAIT FINANCIAL POLICIES

1. IMF MANAGING DIRECTOR WITTEVEEN HAS COMPLETED BRIEF VISIT TO KUWAIT. WHILE HERE, HE HELD TALKS WITH ACTING AMIR, MINISTER FINANCE AND OIL (MFO), GOVERNOR OF CENTRAL BANK AND OTHER SENIOR FINANCE OFFICIALS. SO FAR THERE HAS BEEN VERY LITTLE SUBSTANTIVE COMMENT IN PRESS REGARDING VISIT, BUT MFO ATIQUI USED VISIT AS OCCASION TO STATE THAT KUWAIT WILL NOT FLOAT THE DINAR. ACCORDING TO NEWSPAPER REPORT, ATIQUI SAID THAT KUWAIT CENTRAL BANK WILL INTERVENE SHOULD VALUE OF KUWAIT DINAR EXCEED 2.25 POINT SPREAD FROM THE IMF RATE.

2. EMBOFF WAS TOLD BY VISITING JOURNALIST WHO INTERVIEWED SENIOR
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MFO FINANCE AND INVESTMENT OFFICIAL THAT GOK ASSURED WITTEVEEN

THAT IT HAD NO REPEAT NO INTEREST IN MANIPULATING INTERNATIONAL CURRENCY MARKETS. PRESENT GOK INVESTMENT POLICY WILL BE TO INVEST IN MAJOR CURRENCIES IN PROPORTION TO THE PERCENT OF BACKING FOR SDR'S THAT IS PROVIDED BY EACH CURRENCY. BREAKDOWN PUBLISHED BY IMF APRIL 3 ACCORDING TO OUR INFO. UNDER THIS FORMULA 35 PERCENT OF KUWAIT'S LIQUID INVESTMENTS WILL BE IN DOLLARS, 14 PERCENT IN DEUTSCHE MARKS, 12 PERCENT IN STERLING, ETC.

3. ON OTHER MATTERS, MFO OFFICIAL TOLD JOURNALIST THAT SOME 60 PERCENT OF KUWAIT'S INVESTMENTS WILL BE IN EQUITIES AND BONDS. OFFICIAL NOTED THAT KUWAITIS ABLE TO ACCOMPLISH IN 48 HOURS IN THE U.S. AN INVESTMENT TRANSACTION WHICH WOULD HAVE TAKEN THREE MONTHS IN SWITZERLAND. IN MAKING COMMENT MFO OFFICIAL SEEMED TO INDICATE THAT EFFICIENCY OF U.S. CAPITAL MARKETS WILL LURE A GREATER PROPORTION OF KUWAITI INVESTMENTS TO THE U.S. IN THE FUTURE.

4. COMMENT: WE SHALL TRY TO GET MORE DETAILS OF WITTEVEEN'S DISCUSSIONS HERE BUT INITIAL REPORTS INDICATE THAT KUWAITIS MADE NO COMMITMENTS OTHER THAN TO PROMISE TO BEHAVE RESPONSIBLY IN INTERNATIONAL FINACIAL AFFAIRS. IN ANY CASE, OUR GUESS IS THAT KUWAITI OFFICIALS WILL WANT TO HAVE TIME TO REVIEW AND CONSIDER IMPLICATIONS OF ANY PROPOSALS WITTEVEEN MAY HAVE MADE. AS FAR AS WE KNOW, IMF PROPOSALS MADE IN KUWAIT WERE SIMILAR TO THOSE MADE IN OTHER COUNTRIES IN THE REGION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CURRENCY SALES, FOREIGN INVESTMENTS, VISITS
Control Number: n/a
Copy: SINGLE
Draft Date: 13 APR 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KUWAIT01428
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740086-0324
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740443/aaaabnbu.tel
Line Count: 87
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 22 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <22 APR 2002 by boyleja>; APPROVED <26 MAR 2003 by GolinoFR>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: EAL: WITTEVEEN VISIT- KUWAIT FINANCIAL POLICIES
TAGS: EFIN, KU, IMF, (WITTEVEEN, JOHANNES)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005